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Department of Energy
Western Area Power Administration
Watertown Operations Office
P.O. Box 790
1330 41st Street SE
Watertown, South Dakota 57201-0790

DEC 29 2009

Dear Transmission Customers and Other Interested Parties:

Enclosed is the *Federal Register* notice establishing Integrated System (IS) Transmission and Ancillary Services Rates which will be effective January 1, 2010. The rates are as follows:

<u>Service</u>	<u>Rate Schedule</u>	<u>Rate</u>
Network Transmission	UGP-NT1	Load-ratio share of 1/12 of the Annual Revenue Requirement for IS Transmission Service of \$ 163,521,251.
Firm Point-to-Point Transmission	UGP-FPT1	Maximum of \$2.96/kWmonth
Non-Firm Point-to-Point Transmission	UGP-NFPT1	Maximum of 4.05 mills/kWh
Scheduling, System Control and Dispatch	UGP-AS1	\$44.59/tag/day
Reactive Supply and Voltage Control from Generation Sources	UGP-AS2	\$0.05/kWmonth
Regulation and Frequency Response	UGP-AS3	\$0.05/kWmonth
Energy Imbalance	UGP-AS4	i) For deviations within +/- 1.5% (minimum of 2 MW) of the scheduled transaction, 100% of average incremental cost; ii) For deviations greater than +/- 1.5% up to 7.5% (or greater than 2 MW up to 10 MW) of the scheduled transaction, 110% of incremental cost when energy taken is greater than energy scheduled and 90% of incremental cost when energy taken is less than scheduled;

		<p>iii) For deviations greater than +/- 7.5% (or 10 MW) of the scheduled transaction, 125% of incremental cost when energy taken is greater than energy scheduled and 75% of incremental cost when energy taken is less than scheduled.</p>
Spinning/Supplemental Reserves	UGP-AS5 and 6	\$0.18/kWmonth of customer load
Generator Imbalance	UGP-AS7	<p>i) For deviations within +/- 1.5% (minimum of 2 MW) of the scheduled transaction, 100% of the average incremental cost;</p> <p>ii) For deviations greater than +/- 1.5% up to 7.5% (or greater than 2 MW up to 10 MW) of the scheduled transaction, 110% of incremental cost when energy delivered is less than generation scheduled and 90% of incremental cost when energy delivered is greater than scheduled;</p> <p>iii) For deviations greater than +/- 7.5% (or 10 MW) of the scheduled transaction, 125% of incremental cost when energy delivered is less than energy scheduled and 75% of incremental cost when energy delivered is greater than scheduled.</p> <p>As an exception, an intermittent resource will be exempt from this deviation band and will pay the deviation band charges for all deviations greater than the larger of 1.5% or 2 MW.</p>
Penalty Rate for Unreserved Use of Transmission Service	UGP-TSP1	<p>200% of the transmission service rate for point-to-point service assessed as follows: the penalty for a single hour will be based upon the rate for daily firm point-to-point service; the penalty for more than one assessment of a given duration (e.g. daily) will increase to the next longest duration (e.g. weekly); the penalty charge for multiple instances of unreserved use within</p>

a day will be based on the rate for daily firm point-to-point service; the penalty charge for multiple instances of unreserved use isolated to 1 calendar week would result in a penalty based on the charge for weekly firm point-to-point service; and the penalty charge for multiple instances of unreserved use during more than 1 week during a calendar month is based on the charge for monthly firm point-to-point service.

The IS Transmission Loss Factor effective January 1, 2010, is 4 percent and unchanged from the previous 3-year period. The new rates shall be used in transmission bills issued on or after February 1, 2010.

Western's revised Open Access Transmission Tariff (OATT) was effective December 1, 2009. The IS ancillary service rate for Generator Imbalance (Rate Schedule UGP-AS7) and the IS penalty rate for Unreserved Use of Transmission Service (Rate Schedule UGP-TSP1) will be effective on January 1, 2010, as specified in the *Federal Register* notice.

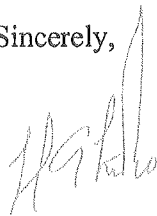
Western may charge a Transmission Customer a penalty for either hourly imbalances under Rate Schedule UGP-AS4 (Energy Imbalance) or hourly imbalances under Rate Schedule UGP-AS7 (Generator Imbalance) for imbalances occurring during the same hour, but not both, unless the imbalances aggravate rather than offset each other.

Western has elected to delay charging for Energy Imbalance and Generator Imbalance until such time as certain billing procedures are finalized. Prior to charging and billing for these services, notice of Western's intent to initiate charging will be posted to Western's OASIS web site.

Please note, a Transmission Customer that exceeds its firm reserved capacity at any point of receipt or point of delivery or an eligible customer that uses transmission service at a point of receipt or point of delivery that it has not reserved is required to pay for all ancillary services identified in Western's OATT that were provided by Western and associated with the unreserved use on the IS system.

If you have any questions concerning IS Transmission and Ancillary Services Rates, please telephone Lloyd Linke at (605) 882-7500.

Sincerely,



Lloyd A. Linke
Operations Manager